
Tobin & Co.

Kalkaska Township

Kalkaska County, Michigan

Audit Report

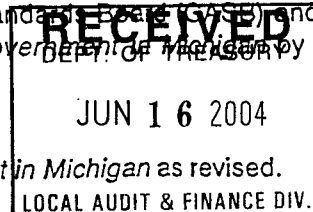
For the Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other Kalkaska Township		County Kalkaska
Audit Date 3/31/04	Opinion Date 6/8/04	Date Accountant Report Submitted to State: 6/11/04

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

TOBIN & CO., P.C.
400 E. EIGHTH ST.

Certified Public Accountant (Firm Name) **TRAVERSE CITY, MI 49686**

Street Address **231 386-947-0151** City **TRAVERSE CITY** State **MI** ZIP **49686**

Accountant Signature

David L. Bask

Tobin & Co.

Table of Contents

INTRODUCTORY SECTION

Comments and Recommendations	4 - 6
------------------------------	-------

FINANCIAL SECTION

Accountant's Report	8
---------------------	---

General Purpose Financial Statements:

Exhibit

A - Combined Balance Sheet – All Fund Types and Account Groups	9 - 10
B - Combined Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Fund Types	11
C - Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund and Special Revenue Funds	12 - 13
D - Combined Statement of Revenues, Expenditures and Changes in Retained Earnings/Fund Balances – All Proprietary Fund Types and Similar Trust Funds	14
E - Combined Statement of Cash flows – All Proprietary Fund Types and Similar Trust Funds	15

Notes to Financial Statements	16 - 22
-------------------------------	---------

SUPPLEMENTAL DATA SECTION

Schedules

General Fund

1 - Statement of Revenues, Expenditures and Changes in Fund Balance	24 - 28
---	---------

Improvement Revolving Fund

2 - Statement of Revenues, Expenditures and Changes in Fund Balance	29
---	----

Fiduciary Funds

3 - Combining Statement of Changes in Assets and Liabilities – All Agency Funds	30 - 32
---	---------

Other Data

4 - 2003 Property Tax Levy and Collections	33
5 - Statement of Revenues and Expenditures – Property Tax Administration Fees	34

INTRODUCTORY SECTION

Tobin & Co.

Comments and Recommendations

We have audited the general purpose financial statements and the combining and individual fund and account group financial statements of Kalkaska Township, Kalkaska County, for the year ended March 31, 2004 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's general purpose financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Kalkaska Township taken as a whole. As a result of our examination, we deem it necessary to make the following comments and recommendations.

General

The records were maintained in excellent condition by your present Clerk and Treasurer. Recorded revenues were deposited timely and intact, journals and ledgers were properly posted, Board minutes were in good order, and supporting documents and follow-up procedures appeared adequate. The efforts of these officials during 2003-2004 are commendable.

Budgets and Procedures

The General Fund expenditure budget was \$475,347 higher than actual expenditures. This matter should receive special attention in future budget preparation, since the budget is intended to be the best estimate by Township officials of actual revenues and expenditures in the forthcoming fiscal year. See Note 2 of the Notes to the Financial Statements.

General Fund

The General Fund is presented on Schedule 1 of this report. Revenues totaled \$446,071 and expenditures totaled \$414,741. The Fund balance at March 31, 2004 was \$555,109. As noted earlier, expenditures were materially lower than budgeted.

Tobin & Co.

Comments and Recommendations

Improvement Revolving Fund

This Fund, permitted by statute, may be used to set aside monies for Township improvements. No more than the equivalent of 2 mills of the taxable value may be placed in the Fund in one year, and the total may not exceed 5 mills of the current valuation. The statute also permits the Township Board to return portions to the General Fund at any time. The Fund is classified as a Special Revenue Fund for which a budget is required.

For the audit year, this Fund had earned interest of \$3,512. There was a balance of \$302,393 in this Fund at March 31, 2004. See Exhibit A and Schedule 2.

Cemetery Perpetual Care Fund

This Fund is used to account for deposits for the perpetual care of cemetery lots and for interest earned from such deposits. During the audit year deposits of \$2,829 remained in the Fund which reflected a Fund balance of \$79,996 at March 31, 2004. Of this Fund balance, \$58,463 was non-expendable. See Exhibits A, D and E.

General Fixed Assets

The Clerk is maintaining a physical inventory of general fixed assets (land, buildings, vehicles, equipment) and is keeping such records on a current basis. This is commendable. A physical inventory of all fire department equipment is performed each year.

Property Tax Administration Fees

A 1% property tax administration fee, permitted by statute, was levied on all 2003 property taxes. These fees may be used only for such property tax administration costs as assessing, collecting, and the review and appeal process. As reflected on Schedule 5, costs for the audit year exceeded fees collected by \$30,523, so the Township was in compliance with statutory requirements. As of March 31, 2004, there are accumulated excess expenditures of \$195,085.

Property Tax Collections

The collection and distribution of the 2003 tax levy has handled in an excellent manner by the Township Treasurer. Deposits were made every few days and were intact. Payments to taxing units during the collection period were in accordance with statutory requirement.

Insurance and Surety Bond Coverage

Our examination disclosed that the Township has such insurance coverage as fire and lightning, liability, errors and omissions, equipment, crime and workmen's compensation. Board minutes indicate that coverage was reviewed during the audit year.. The Clerk, Treasurer, their deputies, and the Supervisor are covered by surety bonds. There is also a blanket bond covering all employees.

Tobin & Co.

Comments and Recommendations

Other Data

We are pleased to note the use of interest bearing bank accounts and investments which resulted in earned interest of over \$9,958 during the audit year. This is excellent, and we commend efforts of the Treasurer and Board members in this important area of financial management.

Payroll records reflect that proper procedures are being followed in payroll withholdings, remittances, federal and State reports, etc.

After the completion of our audit, we will mail two (2) copies of this report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the excellent condition of the Township accounting records. We further appreciate the courtesy extended our field auditor in the course of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

Tobin & Co.

FINANCIAL SECTION

Tobin & Co.

REPORT OF INDEPENDENT AUDITOR

To the Township Board
Kalkaska Township
Kalkaska County
Kalkaska, Michigan 49646

We have audited the accompanying general purpose financial statements of Kalkaska Township as of and for the year ended March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Kalkaska Township at March 31, 2004, and the results of its operations and cash flows of its non-expendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Kalkaska Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Tobin & Co., P.C.
June 8, 2004

Combined Balance Sheet – All Fund Types and Account GroupsMarch 31, 2004

	<u>Governmental Fund Types</u>	
		<u>Special Revenue</u>
<u>Assets</u>	<u>General</u>	<u>Improvement Revolving</u>
Cash in Bank	\$ 554,820	\$ 302,393
Taxes Receivable Delinquent	22,094	-
Due from Other Funds	289	-
Land and Improvements	-	-
Buildings and Improvements	-	-
Machinery and Equipment	-	-
Vehicles and Fire Fighting Equipment	-	-
Total Assets	<u>\$ 577,203</u>	<u>\$ 302,393</u>
<u>Liabilities and Fund Equity</u>		
Liabilities:		
Undistributed Taxes and Interest	\$ -	\$ -
Due to Other Units of Government	-	-
Due to Other Funds	-	-
Deferred Revenue	22,094	-
Total	<u>22,094</u>	<u>-</u>
Fund Equity:		
Investment in General Fixed Assets	-	-
Fund Balance – Unreserved	555,109	302,393
Fund Balance – Restricted	-	-
Total	<u>555,109</u>	<u>302,393</u>
Total Liabilities and Fund Equity	<u>\$ 577,203</u>	<u>\$ 302,393</u>

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

<u>Fiduciary Fund Types</u>		<u>Account Group</u>	
<u>Non-Exp Trust</u>		<u>General</u>	<u>Total</u>
<u>Perpetual Care</u>	<u>Agency</u>	<u>Fixed Assets</u>	<u>(Memo Only)</u>
\$ 79,996	\$ 6,953	\$ -	\$ 944,162
-	-	-	22,094
-	-	-	289
-	-	7,880	7,880
-	-	169,675	169,675
-	-	161,230	161,230
-	-	822,728	822,728
<u>\$ 79,996</u>	<u>\$ 6,953</u>	<u>\$ 1,161,513</u>	<u>\$ 2,128,058</u>
\$ -	\$ 5,219	\$ -	\$ 5,219
-	1,445	-	1,445
-	289	-	289
-	-	-	22,094
<u>\$ -</u>	<u>\$ 6,953</u>	<u>-</u>	<u>29,047</u>
-	-	1,161,513	1,161,513
21,533	-	-	879,035
<u>58,463</u>	<u>-</u>	<u>-</u>	<u>58,463</u>
<u>79,996</u>	<u>-</u>	<u>1,161,513</u>	<u>2,099,011</u>
<u>\$ 79,996</u>	<u>\$ 6,953</u>	<u>\$ 1,161,513</u>	<u>\$ 2,128,058</u>

Tobin & Co.

Kalkaska Township

Exhibit B

Combined Statement of Revenues, Expenditures and Changes in Fund Balance

All Governmental Fund Types

For the Year Ended March 31, 2004

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Memo Only</u>
<u>Revenues</u>			
Taxes	\$ 198,621	\$ -	\$ 198,621
State Grants	179,703	-	179,703
Charges for Services	43,132	-	43,132
Interest and Rents	9,340	3,512	12,852
Other	<u>15,275</u>	<u>-</u>	<u>15,275</u>
Total	<u>446,071</u>	<u>3,512</u>	<u>449,583</u>
<u>Expenditures</u>			
Legislative	14,960	-	14,960
General Government	143,212	-	143,212
Public Safety	92,225	-	92,225
Public Works	9,897	-	9,897
Health and Welfare	1,279	-	1,279
Other	55,263	-	55,263
Capital Outlay	<u>97,905</u>	<u>-</u>	<u>97,905</u>
Total	<u>414,741</u>	<u>-</u>	<u>414,741</u>
<u>Excess Revenues (Expenditures)</u>	31,330	3,512	34,842
<u>Fund Balance</u> – Beginning of Year	<u>523,779</u>	<u>298,881</u>	<u>822,660</u>
<u>Fund Balance</u> – End of Year	<u>\$ 555,109</u>	<u>\$ 302,393</u>	<u>\$ 857,502</u>

The Notes to the Financial Statements are an integral part of this statement

Combined Statement of Revenues, Expenditures and Changes in Fund BalanceBudget and ActualGeneral and Special Revenue FundsFor the Year Ended March 31, 2004

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<u>Revenues</u>			
Taxes	\$ 166,250	\$ 198,621	\$ 32,371
State Grants	180,000	179,703	(297)
Charges for Services	32,000	43,132	11,132
Interest and Rents	8,200	9,340	1,140
Other	-	15,275	15,275
Total	<u>386,450</u>	<u>446,071</u>	<u>59,621</u>
<u>Expenditures</u>			
Legislative	55,500	14,960	40,540
General Government	194,300	143,212	51,088
Public Safety	171,000	92,225	78,775
Public Works	112,288	9,897	102,391
Health and Welfare	15,000	1,279	13,721
Recreation and Culture	15,000	-	15,000
Other	112,000	55,263	56,737
Capital Outlay	<u>215,000</u>	<u>97,905</u>	<u>117,095</u>
Total	<u>890,088</u>	<u>414,741</u>	<u>475,347</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (503,638)</u>	31,330	<u>\$ 534,968</u>
<u>Fund Balance – Beginning of Year</u>		<u>523,779</u>	
<u>Fund Balance – End of Year</u>		<u>\$ 555,109</u>	

(1) Budgeted from Fund Balance

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

<u>Special Revenue Fund</u>		
<u>Improvement Revolving Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
6,000	3,512	(2,488)
-	-	-
<u>6,000</u>	<u>3,512</u>	<u>(2,488)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
<u>\$ 6,000</u>	3,512	<u>\$ (2,488)</u>
	<u>298,881</u>	
	<u>\$ 302,393</u>	

Tobin & Co.

Kalkaska Township

Exhibit D

Combined Statement of Revenues, Expenditures and Changes in Retained Earnings/Fund Balance

All Proprietary Fund Types and Similar Trust Funds

For the Year Ended March 31, 2004

	<u>Fiduciary Fund Type</u> <u>Non-expendable Trust</u> Cemetery <u>Perpetual Care</u>
<u>Operating Revenues:</u>	
Perpetual Care Deposits	\$ 1,625
Earned Interest	<u>1,204</u>
Total	<u>2,829</u>
<u>Operating Expenses</u>	<u>-</u>
Total	<u>-</u>
Net Income	2,829
<u>Retained Earnings/Fund Balance – Beginning of Year</u>	<u>77,167</u>
<u>Retained Earnings/Fund Balance – End of Year</u>	<u>\$ 79,996</u>

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Kalkaska Township

Exhibit E

Combined Statement of Cash Flows

All Proprietary Fund Types and Similar Trust Funds

For the Year Ended March 31, 2004

	<u>Fiduciary Fund Type</u> <u>Non-expendable Trust</u> Cemetery <u>Perpetual Care</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 1,625
Interest	<u>1,204</u>
Net Cash Provided by Operating Activities	<u>2,829</u>
Total Sources of Cash	<u>2,829</u>
Net Increase in Cash and Cash Equivalents	2,829
Cash and Cash Equivalents at Beginning of Year	<u>77,167</u>
Cash and Cash Equivalents at End of Year	<u>\$ 79,996</u>

Combined Schedule of Reconciliation of Net Income to Net Cash Provided by Operating Activities

Net Income	\$ <u>2,829</u>
Net Cash Provided by Operating Activities	\$ <u>2,829</u>

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kalkaska Township

Notes to Financial Statements

March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Kalkaska Township is a general law township located in Kalkaska County. Population as of the 2000 census was 4,830, and the taxable value is \$133,346,769.

The financial statements of the Township include those of separately administered organizations that are controlled by or dependent on the Township. Control or dependence is determined on the basis of oversight responsibility, fiscal dependence and whether the financial statements would be misleading if data was not included as outlined in GASB Statement #14. Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The financial activities of the Township are recorded in separate self-balancing funds and account groups categorized and described as follows:

Governmental Funds

General Fund – This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These Funds are used to account for specific governmental revenues (other than debt service and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative actions.

Fiduciary Funds

These Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Account Groups

General Fixed Assets – This account group presents the fixed assets of the Township utilized in its general operations (non-proprietary fixed assets).

Tobin & Co.

Kalkaska Township

Notes to Financial Statements

March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

All governmental funds and agency funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and as revenues when available to finance current operations. Significant revenues susceptible to accrual include property taxes, expenditure reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid. Fiduciary Fund Type Non-Expendable Trust Funds are accounted for using an accrual basis of accounting. Under this method revenues are recognized when earned and expenses are recognized when incurred.

D. Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Fiduciary Fund Type Non-Expendable Trust Funds are accounted for on a cost of services of "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with the activity are included on their balance sheets. Their operating statements present increases (revenues) and decreases (expenses) in net total assets.

E. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budgets approved and amended by the Township.

Tobin & Co.

Kalkaska Township

Notes to Financial Statements

March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets (Continued)

In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

F. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain general fixed assets consisting of roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems are excluded from general fixed assets because such items are immovable and of value only to the Township. General fixed assets are not subject to annual depreciation expense. The Township does not capitalize construction period interest.

Fixed assets are recorded at historical cost. Donated fixed assets are valued and recorded at the fair market value at date of receipt.

G. Property Tax Procedures and Collections

Properties are assessed as of December 31, and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year, the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$170,761,500	\$133,346,769	.9652

Tobin & Co.

Kalkaska Township

Notes to Financial Statements

March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Total Column

The “total” column on the combined financial statements is captioned “memo only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund transactions have not been eliminated in the aggregation of this data.

I. Cash and Cash Equivalents

For purposes of the statement of cash flows, the fiduciary fund type, non-expendable trust funds considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provision of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2004.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2004, the Township complied with this provision.

Tobin & Co.

Kalkaska Township

Notes to Financial Statements

March 31, 2004

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
4. Repurchase agreements consisting of instruments defined in (1) above.
5. In bankers' acceptances of United States Banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits

The Township had \$960,262 deposited with local financial institutions at March 31, 2004 with a carrying value of \$944,468. Interpreting the FDIC insurance coverage of \$100,000 per demand deposit account and \$100,000 per time deposit account in each depository, the Township had uninsured deposits of \$611,660 at March 31, 2004.

Tobin & Co.

Kalkaska Township

Notes to Financial Statements

March 31, 2004

NOTE 4 - SUMMARY OF CHANGES IN GENERAL FIXED ASSETS

	<u>03/31/03</u>	<u>Additions</u>	<u>Dispo- sitions</u>	<u>03/31/04</u>
Land and Improvements	\$ 7,880	\$ -	\$ -	\$ 7,880
Buildings and Improvements	169,675	-	-	169,675
Machinery and Equipment	14,892	-	-	14,892
Office Furniture and Equipment	59,827	1,707	-	61,534
Vehicles and Fire Fighting Equipment	733,955	88,773	-	822,728
Cemetery and Miscellaneous Equipment	<u>84,804</u>	<u>-</u>	<u>-</u>	<u>84,804</u>
Total	<u>\$1,071,033</u>	<u>\$ 90,480</u>	<u>\$ -</u>	<u>\$1,161,513</u>

NOTE 5 - LONG-TERM DEBT

The Township has no long-term debt and no such borrowing is anticipated in the near future.

NOTE 6 - INVENTORIES

Kalkaska Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses at time of purchase.

NOTE 7 - PENSION PLAN

The Township participates in a defined contribution pension plan administered by Municipal Retirement Systems, Inc. By Board resolution, the Township pays a contribution of 11.5% of annual compensation.

The plan covers all elected officials and the assessor with 100% immediate vesting upon early retirement, termination of service, death, disability, or normal retirement. Required Township contributions of \$10,152 were paid for the audit year. Covered compensation for the audit year was \$89,612 out of total employee compensation of \$141,076.

The Township provides social security coverage for its officials and employees.

Tobin & Co.

Kalkaska Township

Notes to Financial Statements

March 31, 2004

NOTE 8 - ACCOUNTS/TAXES RECEIVABLE

The Taxes and Property Tax Administration Fees receivable of \$22,094 in the General Fund represent 2003 property taxes and fees returned delinquent to the County Treasurer as of March 31, 2004 and uncollected 2003 personal property taxes. Revenue recognition is deferred until taxes are received by the Township, as such revenue is not available for obligations of the audit year.

NOTE 9- CONTINGENT LIABILITIES

Township officials are aware of no material contingent liabilities as of March 31, 2004.

NOTE 10- COMPENSATED ABSENCES

The Township assessor is entitled by contract to fifteen paid vacation days and five paid sick days per year. All compensated absence time must be used prior to year end with no accumulation.

NOTE 11- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 12- RELATED PARTY TRANSACTIONS

During the audit year, the Township awarded \$3,763 of contractual capital outlay and repair and maintenance work to a business owned and operated by the son of the Township Clerk. Bid procedures appear to have been properly followed.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Kalkaska Township

Schedule 1

Page 1

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Taxes:			
Current Property Taxes	\$ 107,000	\$ 110,435	\$ 3,435
Delinquent Property Taxes	250	15,301	15,051
Swamp Tax	22,000	22,573	573
Other Property Taxes	200	217	17
Special Assessments	1,800	8,270	6,470
Penalties and Interest on Taxes	-	1,098	1,098
Property Tax Administration Fees	35,000	40,727	5,727
State Grants:			
State Shared Revenues	180,000	176,211	(3,789)
Bankhead Jones	-	437	437
Metro Act	-	3,055	3,055
Charges for Services:			
Summer Tax Collection	14,000	15,764	1,764
Cemetery	3,000	7,809	4,809
Sales	-	1,267	1,267
Fire Protection	15,000	16,957	1,957
Land Splits	-	1,335	1,335
Interest and Rents:			
Interest	5,500	5,242	(258)
Rents and Royalties	2,700	4,098	1,398
Other:			
Donations	-	8,510	8,510
Refunds and Reimbursements	-	4,890	4,890
Sale of Fixed Assets	-	1,875	1,875
Total Revenues	<u>386,450</u>	<u>446,071</u>	<u>59,621</u>
<u>Expenditures</u>			
Legislative:			
Township Board:			
Salaries and Wages	-	6,000	-
Supplies	-	909	-
Legal and Contractual	-	2,962	-
Printing and Publishing	-	626	-
Other	-	4,463	-
Total Legislative	<u>55,500</u>	<u>14,960</u>	<u>40,540</u>

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kalkaska Township

Schedule 1

Page 2

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>			
General Government:			
Township Supervisor:			
Salaries and Wages	<u>6,500</u>	<u>6,500</u>	<u>-</u>
Total	<u>6,500</u>	<u>6,500</u>	<u>-</u>
Elections:			
Total	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Assessor:			
Salaries and Wages	-	43,112	-
Supplies	-	406	-
Tax Collection	-	3,738	-
Other	<u>-</u>	<u>234</u>	<u>-</u>
Total	<u>52,000</u>	<u>47,490</u>	<u>4,510</u>
Clerk:			
Salaries and Wages	-	14,000	-
Supplies	<u>-</u>	<u>827</u>	<u>-</u>
Total	<u>17,000</u>	<u>14,827</u>	<u>2,173</u>
Board of Review:			
Salaries and Wages	-	342	-
Printing and Publishing	<u>-</u>	<u>116</u>	<u>-</u>
Total	<u>2,000</u>	<u>458</u>	<u>1,542</u>

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Kalkaska Township

Schedule 1

Page 3

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>			
General Government (Continued):			
Treasurer:			
Salaries and Wages	-	20,000	-
Salaries and Wages - Deputy	-	1,944	-
Supplies	-	263	-
Tax Collection	-	13,402	-
Total	<u>38,200</u>	<u>35,609</u>	<u>2,591</u>
Township Hall and Grounds:			
Salaries and Wages	-	1,170	-
Supplies	-	469	-
Public Utilities	-	7,502	-
Maintenance and Repairs	-	1,517	-
Total	<u>30,000</u>	<u>10,658</u>	<u>19,342</u>
Cemetery:			
Salaries and Wages	-	16,817	-
Supplies	-	594	-
Public Utilities	-	6,637	-
Maintenance and Repairs	-	3,096	-
Other	-	526	-
Total	<u>43,600</u>	<u>27,670</u>	<u>15,930</u>
Total General Government	<u>194,300</u>	<u>143,212</u>	<u>51,088</u>
Public Safety:			
Police Protection:			
Contractual Services	<u>18,000</u>	<u>16,500</u>	<u>1,500</u>
Total	<u>18,000</u>	<u>16,500</u>	<u>1,500</u>

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kalkaska Township

Schedule 1
Page 4

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (Continued):			
Public Safety (Continued):			
Fire Protection:			
Salaries and Wages	-	31,192	-
Supplies and Small Tools	-	5,694	-
Gas and Oil	-	2,048	-
Education and Training	-	1,231	-
Public Utilities	-	11,066	-
Repairs & Maintenance – Vehicles	-	14,094	-
Repairs & Maintenance – Building	-	1,883	-
Repairs & Maintenance – Radio/Other	-	4,210	-
Other	-	4,307	-
Total	<u>153,000</u>	<u>75,725</u>	<u>77,275</u>
Total Public Safety	<u>171,000</u>	<u>92,225</u>	<u>78,775</u>
Public Works:			
Road Maintenance & Improvements	100,000	-	100,000
Street Lighting	6,000	3,926	2,074
Special Assessments	<u>6,288</u>	<u>5,971</u>	<u>317</u>
Total Public Works	<u>112,288</u>	<u>9,897</u>	<u>102,391</u>
Health and Welfare:			
Hospital Subsidy	<u>15,000</u>	<u>1,279</u>	<u>13,721</u>
Total Health and Welfare	<u>15,000</u>	<u>1,279</u>	<u>13,721</u>
Recreation and Culture:	<u>15,000</u>	<u>-</u>	<u>15,000</u>

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kalkaska Township

Schedule 1

Page 5

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures (Continued):			
Other Functions/Expenses:			
Employee Benefits and Insurance	64,000	50,873	13,127
Numbering System and 911	1,000	-	1,000
Unallocated	17,000	1,390	15,610
Industrial Growth	10,000	3,000	7,000
Contingency	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Other Functions/Expenses	<u>112,000</u>	<u>55,263</u>	<u>56,737</u>
Capital Outlay:	<u>215,000</u>	<u>97,905</u>	<u>117,095</u>
Total Expenditures	<u>890,088</u>	<u>414,741</u>	<u>475,347</u>
Excess Revenues (Expenses)	(1) <u>\$ (503,638)</u>	31,330	<u>\$ 534,968</u>
Fund Balance – Beginning of Year		<u>523,779</u>	
Fund Balance – End of Year		<u>\$ 555,109</u>	
(1) Budgeted from Fund Balance			

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kalkaska Township

Schedule 2

Statement of Revenues, Expenditures and Changes in Fund Balance

Improvement Revolving Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Earned Interest	\$ 6,000	\$ 3,512	\$ (2,488)
Total	6,000	3,512	(2,488)
<u>Expenditures</u>	-	-	-
<u>Excess Revenues (Expenditures)</u>	<u>\$ 6,000</u>	3,512	<u>\$ (2,488)</u>
<u>Fund Balance</u> – Beginning of Year		298,881	
<u>Fund Balance</u> – End of Year		<u>\$ 302,393</u>	

The Notes to the Financial Statements are an integral part of this statement

Kalkaska Township

Schedule 3

Page 1

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

For the Year Ended March 31, 2004

Trust and Agency Fund

	<u>Balance</u> <u>03/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>03/31/04</u>
<u>Assets</u>				
Cash	\$ 459	\$ 49,279	\$ 48,004	\$ 1,734
Total Assets	<u>\$ 459</u>	<u>\$ 49,279</u>	<u>\$ 48,004</u>	<u>\$ 1,734</u>
 <u>Liabilities</u>				
Undistributed Taxes and Interest	\$ -	\$ -	\$ -	\$ -
Due to Other Units of Government	383	48,854	47,792	1,445
Due to Other Funds	<u>76</u>	<u>425</u>	<u>212</u>	<u>289</u>
Total Liabilities	<u>\$ 459</u>	<u>\$ 49,279</u>	<u>\$ 48,004</u>	<u>\$ 1,734</u>

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Current Tax Collection Fund

<u>Balance</u> <u>03/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>03/31/04</u>
\$ 6,799	\$ 3,700,361	\$ 3,701,941	\$ 5,219
<u>\$ 6,799</u>	<u>\$ 3,700,361</u>	<u>\$ 3,701,941</u>	<u>\$ 5,219</u>
\$ 6,799	\$ 3,700,361	\$ 3,701,941	\$ 5,219
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 6,799</u>	<u>\$ 3,700,361</u>	<u>\$ 3,701,941</u>	<u>\$ 5,219</u>

Tobin & Co.

Kalkaska Township

Schedule 3

Page 2

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

For the Year Ended March 31, 2004

Total

	<u>Balance</u> <u>03/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>03/31/04</u>
<u>Assets</u>				
Cash	\$ 7,258	\$ 3,749,640	\$ 3,749,945	\$ 6,953
Total Assets	\$ 7,258	\$ 3,749,640	\$ 3,749,945	\$ 6,953
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 6,799	\$ 3,700,361	\$ 3,701,941	\$ 5,219
Due to Other Units of Government	383	48,854	47,792	1,445
Due to Other Funds	76	425	212	289
Total Liabilities	\$ 7,258	\$ 3,749,640	\$ 3,749,945	\$ 6,953

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kalkaska Township

Schedule 4

2003 Property Tax Levy and Collections

For the Year Ended March 31, 2004

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County Tax	5.5220	\$ 723,214	\$ 633,981	\$ 89,233
Hospital Tax	1.7000	222,640	195,141	27,499
Public Transit	0.2465	32,267	28,283	3,984
Commission on Aging	0.2465	32,267	28,283	3,984
Sportsplex	0.6964	91,192	79,929	11,263
State Education	5.0000	666,382	604,583	61,799
School District	19.9000	1,661,044	1,516,182	144,862
Intermediate School District	2.9929	403,882	366,916	36,966
Township - General	0.9652	126,397	110,873	15,524
State - IFT		46,210	46,210	-
Village		36,095	31,741	4,354
Special Assessments		<u>6,862</u>	<u>6,268</u>	<u>594</u>
Total		<u>\$ 4,048,452</u>	<u>\$ 3,648,390</u>	<u>\$ 400,062</u>
Percent of Levy Collected	90.12%			

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kalkaska Township

Schedule 5

Statement of Revenues and Expenditures

Property Tax Administration Fees

For the Year Ended March 31, 2004

Revenues

Property Tax Administration Fees \$ 40,727

Total Revenues 40,727

Expenditures

Assessor 47,490

Board of Review 458

Treasurer - (60% of Salary) 8,400

Tax Roll Expenses 13,402

Use of Building 500

Insurance and Fringe Benefits 1,000

Total Expenditures 71,250

Excess Revenues (Expenditures) (30,523)

Excess Revenues (Expenditures) – Prior Years (1) (164,562)

Excess Revenues (Expenditures) - Accumulated \$(195,085)

(1)	Prior	\$ 11,276
	1992-93	3,318
	1993-94	6,370
	1994-95	1,360
	1995-96	4,548
	1996-97	1,376
	1997-98	16,371
	1998-99	21,406
	1999-00	22,120
	2000-01	27,733
	2001-02	23,863
	2002-03	<u>24,821</u>

\$164,562

The Notes to the Financial Statements are an integral part of this statement